

EXHIBIT 3

FROM : HOMES FOR AMERICA HOLDINGS, INC FAX NO. : 914-964-7034

Nov. 16 2004 12:50PM P2/5

COLLATERAL ASSIGNMENT (Security Agreement)

THIS COLLATERAL ASSIGNMENT (Security Agreement) (ASecurity Agreement) is made this 16th day of November, 2004, by HFAH Asylum, LLC, a Connecticut limited liability company (the AAssignor), in favor of those persons listed on Exhibit AA attached hereto (as amended or assigned from time to time, "Assignee"), and Assignor hereby grants Assignee a security interest in and to the following security:

- (i) that certain Promissory Note dated August 30, 1999 (the ANote), in the original principal amount of Four Million Eight Hundred Thousand Dollars (\$4,800,000), made by Windham Mills Development Corporation (AWMDC) as Borrower to the order of Enterprise Capital, Inc., a Rhode Island loan and investment company now known as AIndependence Bank", as Lender (the AHolder), which Note is secured by that certain Open-End Mortgage Deed dated August 30, 1999 (the AMortgage), made by Borrower for the benefit of Holder and recorded among the land records of Willimantic, Connecticut, on August 30, 1999, in Book 582 at pages 1 - 51, granting a first mortgage lien on the real property therein described (the AProperty or the AMortgaged Property); and
- (ii) that certain Open-End Mortgage Deed dated August 30, 1999 (the AMortgage), made by Borrower for the benefit of Holder and recorded among the land records of Willimantic, Connecticut, on August 30, 1999, in Book 582 at pages 1 - 51, granting a first mortgage lien on the real property therein described (the AProperty or the AMortgaged Property).

The foregoing instruments, together with all right, title, and interest of the Assignor therein, including substitute collateral and proceeds, along with all other documents that WMDC gave to Holder to obtain the Note and Mortgage, is referred to herein as the ASecurity Property. This Agreement is based on the terms and conditions, and is predicated on the recitals set out below.

RECITALS

A. Assignor, as Borrower, and Assignee, as Lender, agree to make a Loan Agreement (the ALoan Agreement) whereby Assignee shall lend to Assignor the sum of Five Million Fifty Thousand Dollars (\$5,050,000) (the ALoan), evidenced by a Promissory Note (the ANew Note), along with such other sums as may be advanced pursuant to the Loan Agreement.

B. Homes for America Holdings, Inc., a Nevada corporation (AHFAH or "Homes Holdings"), has agreed to further secure the Loan by delivery of its Guaranty for the benefit of the Lender, as evidenced by its acknowledgement of this Security Agreement.

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C. HFAH is the corporate parent and sole Managing Member of Assignor, and will benefit from Lender extending the Loan to Borrower.

D. All terms capitalized herein without definition are used with the meanings assigned to them in the Loan Agreement.

E. Holder has obtained a Judgment of Foreclosure with respect to the Note and Mortgage on June 28, 2004 from the Superior Court, Judicial District of Windham at Putnam, Docket No. CV-03-00715805, and will complete the foreclosure at the earliest date it can.

F. Assignee is acquiring this Security Agreement in the Note, Mortgage, and all Security Property as additional security for its Loan.

AGREEMENTS

1. Assignor hereby grants to Assignee a security interest in the Security Property, to secure Assignor's obligations under the Loan Documents.

2. To perfect this security agreement, the Assignor shall deliver to USA Capital, as agent for Lender, the original Security Property; provided that upon request, to effect the foreclosure and acquisition of the Mortgaged Property, Lender and USA Capital shall provide the original Security Property to Assignor's counsel in trust for presentation and enforcement as required.

3. USA Capital and Lender shall return this Agreement, and the original Loan Documents and instruments constituting Security Property, to Homes Holdings when the Loan is fully repaid.

4. If Assignor defaults on the Loan, then after notice as required by applicable Nevada law and the Loan Documents, Lender, at its sole option, may foreclose on the Note and Mortgage in partial satisfaction of the Loan, at its sole option.

5. Any language to the contrary herein notwithstanding, should Lender have to foreclose on the Note in partial payment of the Loan, Lender shall be deemed to have received, on account of the Note, only as much money as it actually receives either from selling it, or from collecting it.

6. Assignor hereby represents and warrants that:

(A) it has title to and has not previously assigned, sold, encumbered, hypothecated, conveyed, or in any manner transferred the Security Property, or any interest therein (except as such previous assignments have been satisfied and released and are of no effect on the date hereof);

(B) it has power and authority to make this assignment of the Security Property without the consent of any third party and this Security Agreement does not and will not violate any rule, statute, judgment, decree, order, contract, or agreement to which it or

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HFAH Asylum LLC
Homes for America Holdings, Inc.

Homes Holdings is a party;

- (C) it is in good standing, has duly authorized this Security Agreement, and that the person signing this agreement is duly authorized to sign it on the Assignor=s behalf;
- (D) it is familiar with Assignee=s form of loan documents for loans of this nature, and that it will execute new loan documents in those forms with Assignee in the initial amount of \$5,050,000, which may be increased, at Lender=s discretion, to \$6,000,000; and
- (E) it will promptly execute the Loan Documents for the Loan.

IN WITNESS WHEREOF the parties have executed this Security Agreement as and for the day and year first above written.

LENDER:

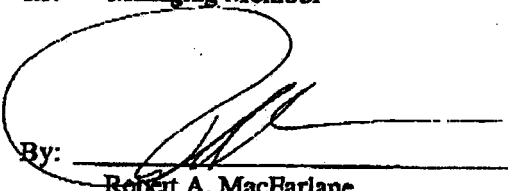
ASSIGNOR:

By: USA Capital Diversified Trust Deed,
Fund, LLC
By: USA Capital Realty Advisors, LLC, Manager
By: USA Investment Partners, LLC, its Manager
By: USA Commercial Mortgage Company, its
Manager

HFAH Asylum, LLC

By: Homes for America Holdings, Inc.
Its: Managing Member

By: _____
Joseph D. Milanowski
Its: President

By: 
Robert A. MacFarlane
Its: Chairman and CEO

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HFAH Asylum LLC
Homes for America Holdings, Inc.

ACKNOWLEDGMENT BY HOMES HOLDINGS:

The undersigned authorized representative of Homes for America Holdings, Inc., acknowledges the foregoing Security Agreement and the undertaking to provide on behalf of the Assignor the requisite Guaranty in the customary form provided by USA Capital.

Homes for America Holdings, Inc.

By: 

Robert A. MacFarlane

Its: Chairman and CEO

Date: November 16, 2004